

IMPACT of NATURAL GAS PRICES on RESIDENTIAL GAS and ELECTRIC BILLS

WINTER 2005 – 2006

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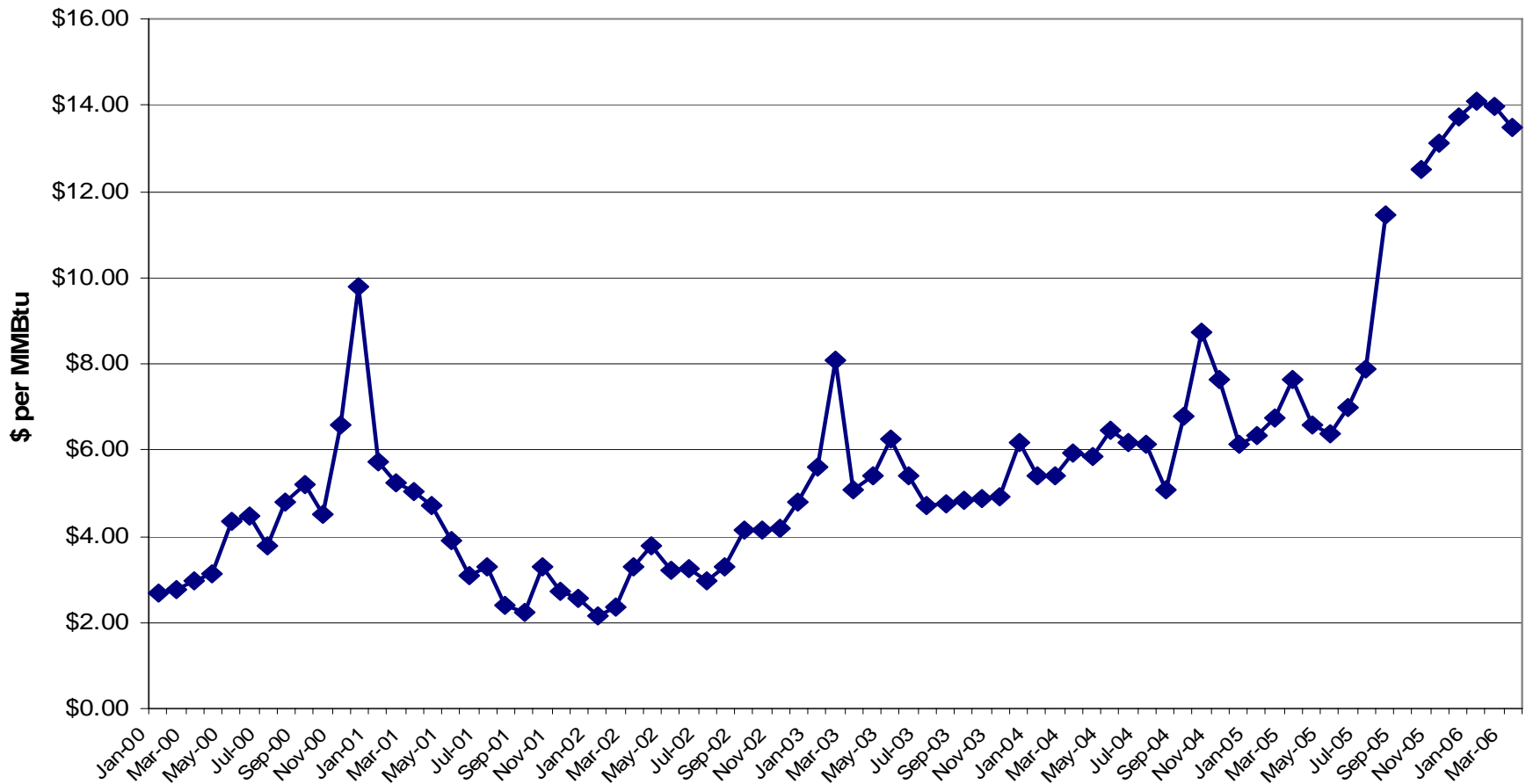
Director, Energy Division

California Public Utilities Commission

Overview

- Natural Gas Markets and Prices
- Gas & Electric Bill Impacts for Winter 2006
- CPUC Low Income Programs

NYMEX Henry Hub Gas Prices, Including Forward Curve of 9/27/2005 (Source: Bloomberg)



Why Have Natural Gas Prices Been Rising?

- Natural gas prices have been steadily rising over the past four years
- Gas prices have gone from \$2.25/MMBTU in early 2000 to over \$12.00 in 2005
- Natural gas production in North America has been flat or declining in recent years despite a high level of drilling
- Demand for gas in California and nationally is rising in part because a substantial amount of electric generation is gas fired
- The effect of Hurricanes Katrina and Rita further increased natural gas prices
- Natural gas rates are expected to be at an all time high this winter
- The California gas utilities expect no reliability problems this winter

How do the Utilities Purchase Gas?

- The California natural gas utilities do not own natural gas production
- Gas commodity prices were deregulated by the Federal Government in the mid 1980's
- Gas prices depend on supply and demand
- Gas prices rise in winter because of an increase in demand for heating
- The California utilities purchase gas on the national market and must compete with all other gas purchasers
- The California gas utilities are allowed to pass on the cost of natural gas purchases to consumers on a monthly basis.

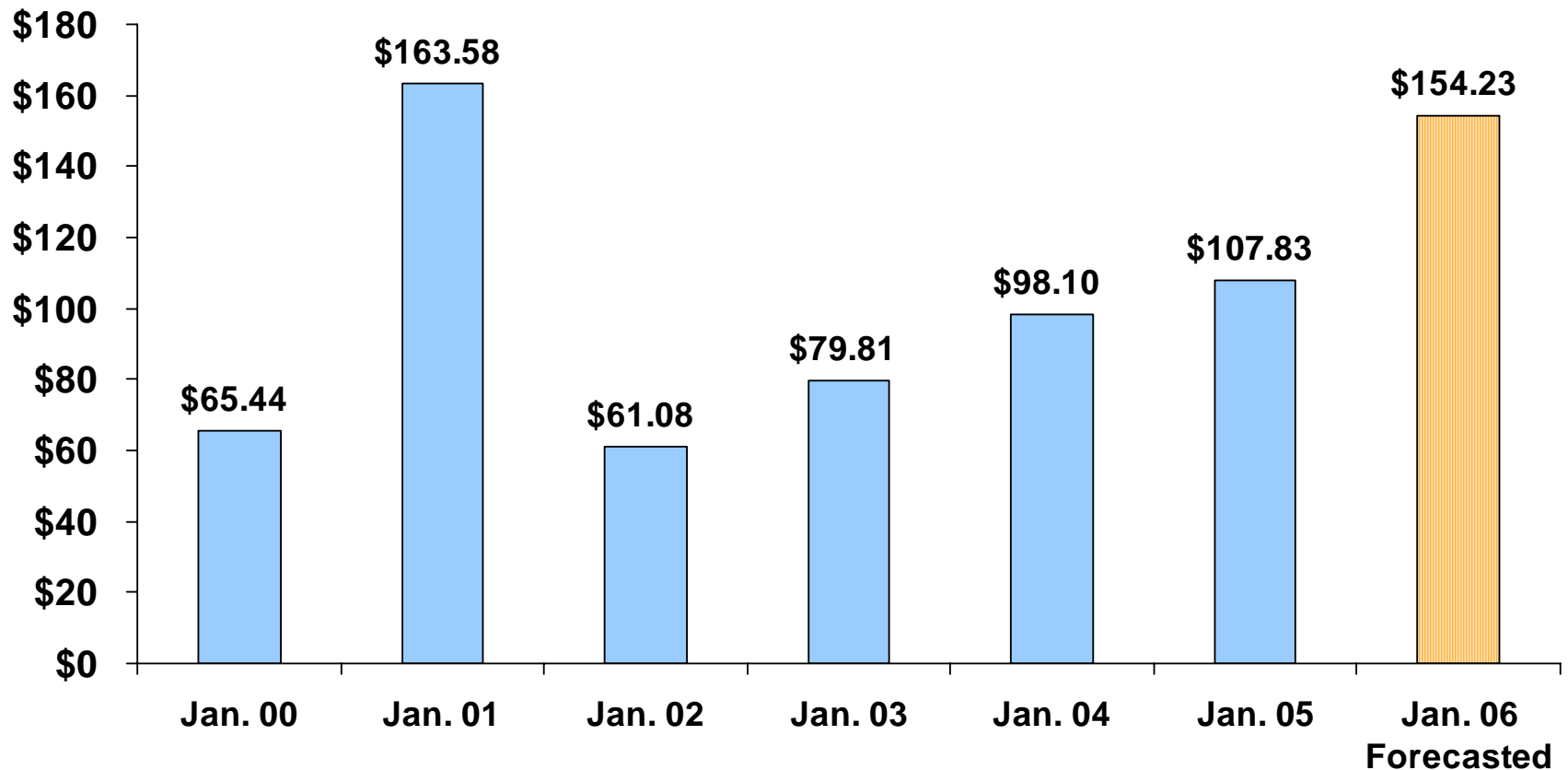
Utility Procurement Techniques

The California gas utilities use a variety of procurement and management techniques to reduce the cost of gas to the consumer including:

- **Injection into storage when demand and prices are low**
- **Utilizing storage for winter use**
- **Financial Hedging – to protect core customers against the impact of high gas prices at reasonable cost**
- **Purchasing gas on a monthly basis at fixed prices**
- **Managing gas purchases with consideration of market signals**

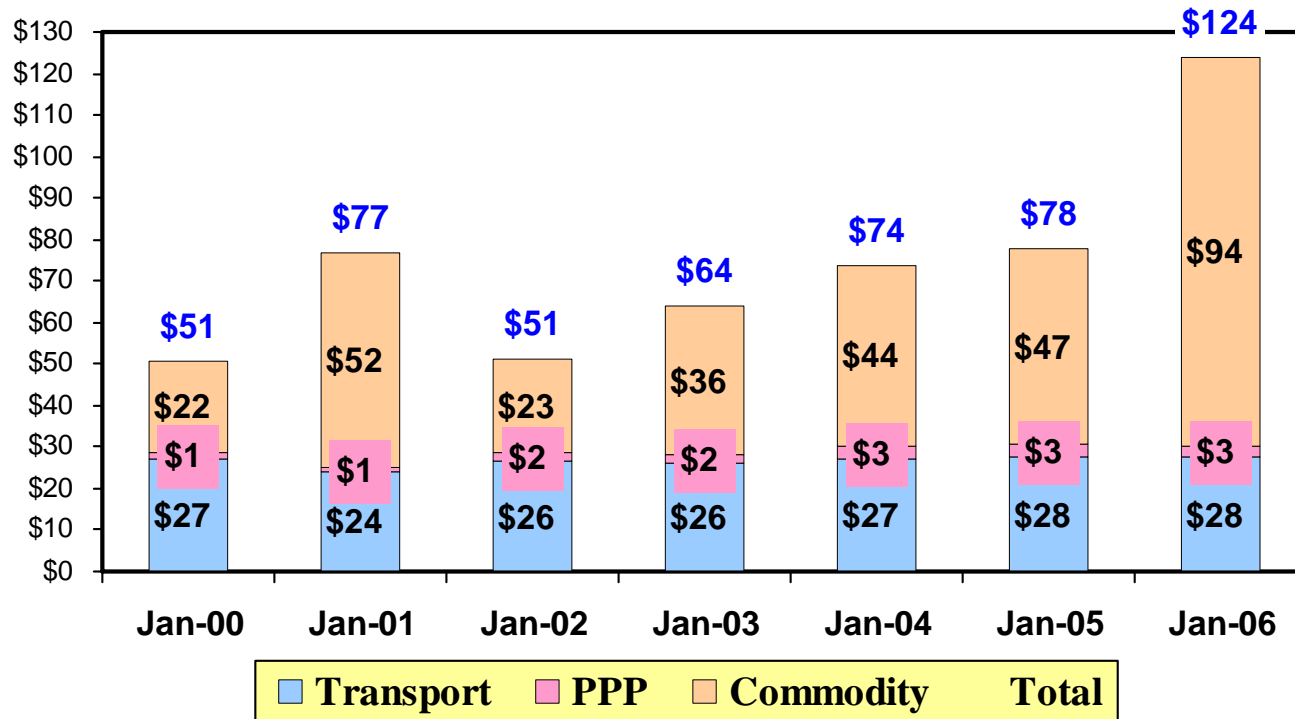
Residential Average Gas Bills January 2000 – 2006 (Forecast) PG&E

Typical January Bill - 89 Therms/Month



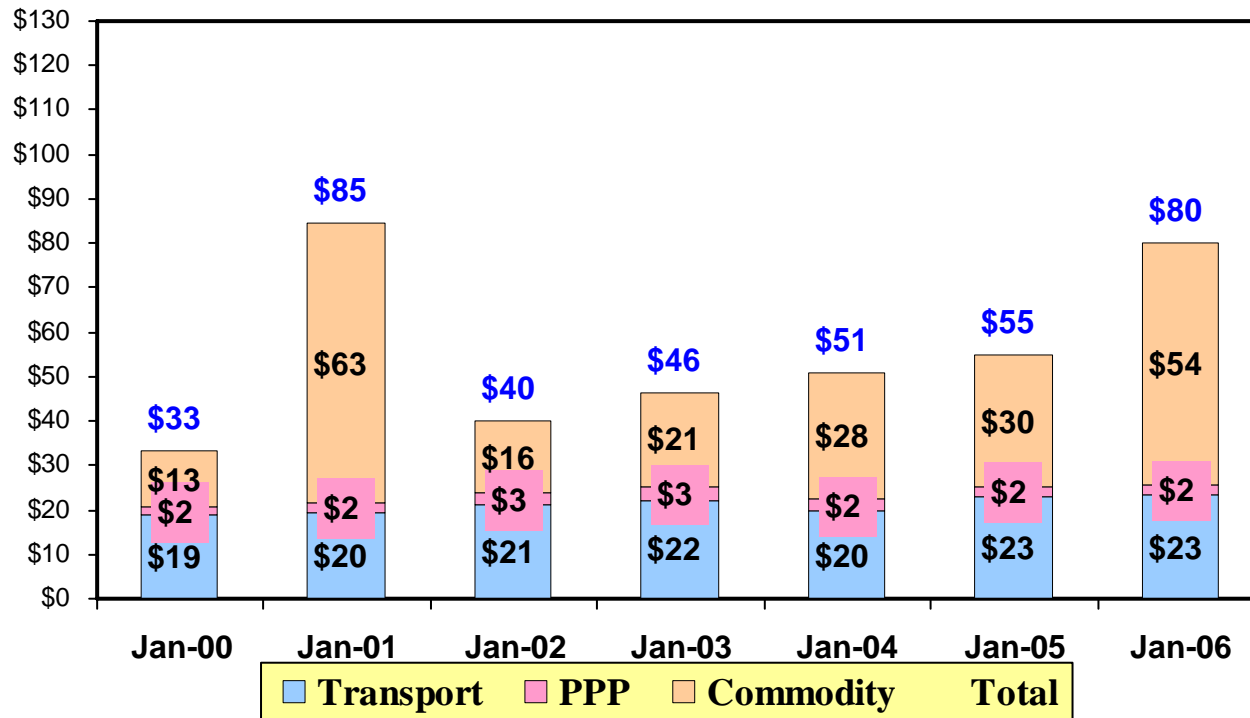
Residential Typical Gas Bills January 2000 – 2006 (Forecast) Southern California Gas Company

Based on 75 Therms/Month

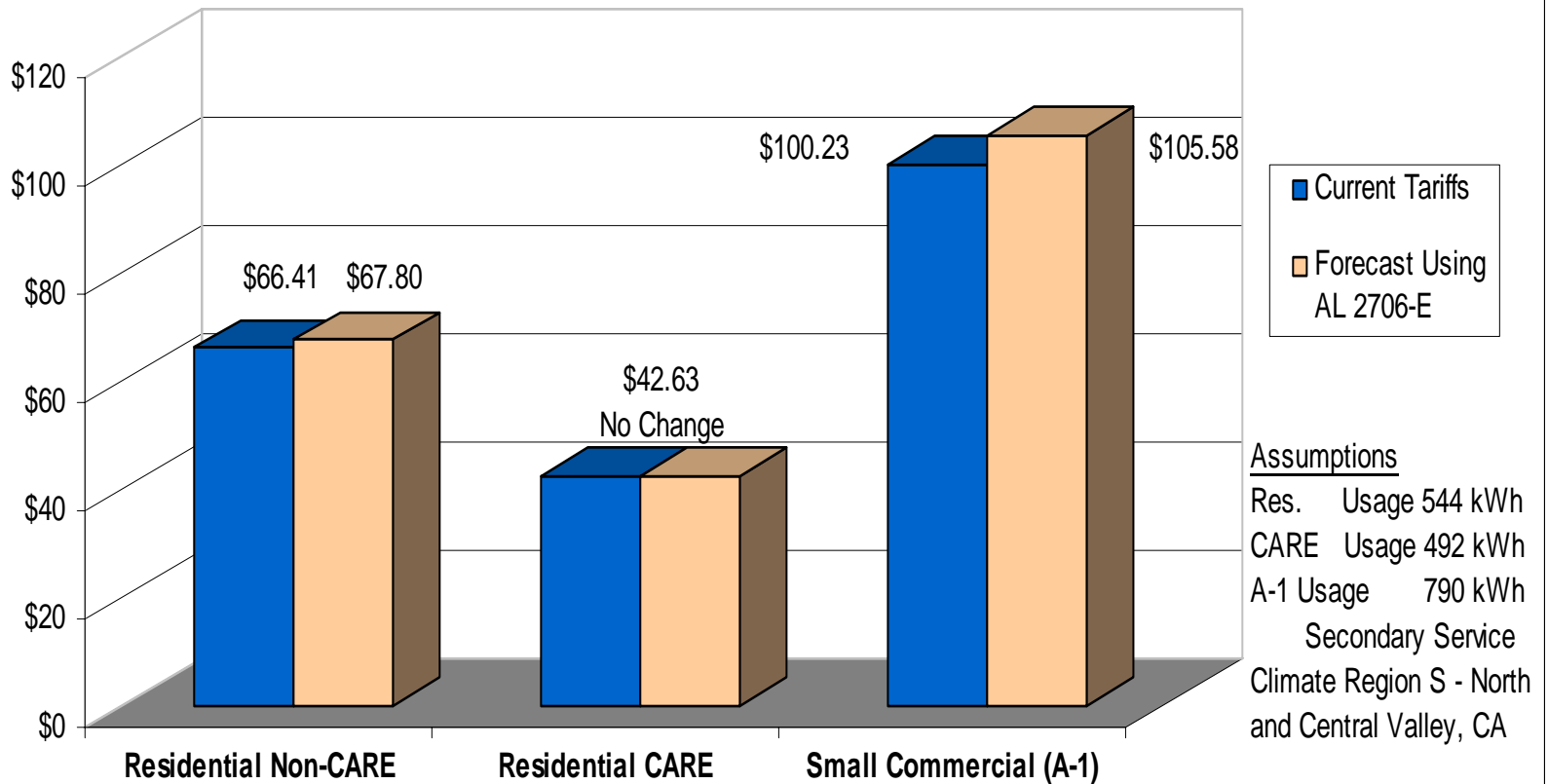


Residential Typical Gas Bills January 2000 – 2006 Forecast SDG&E

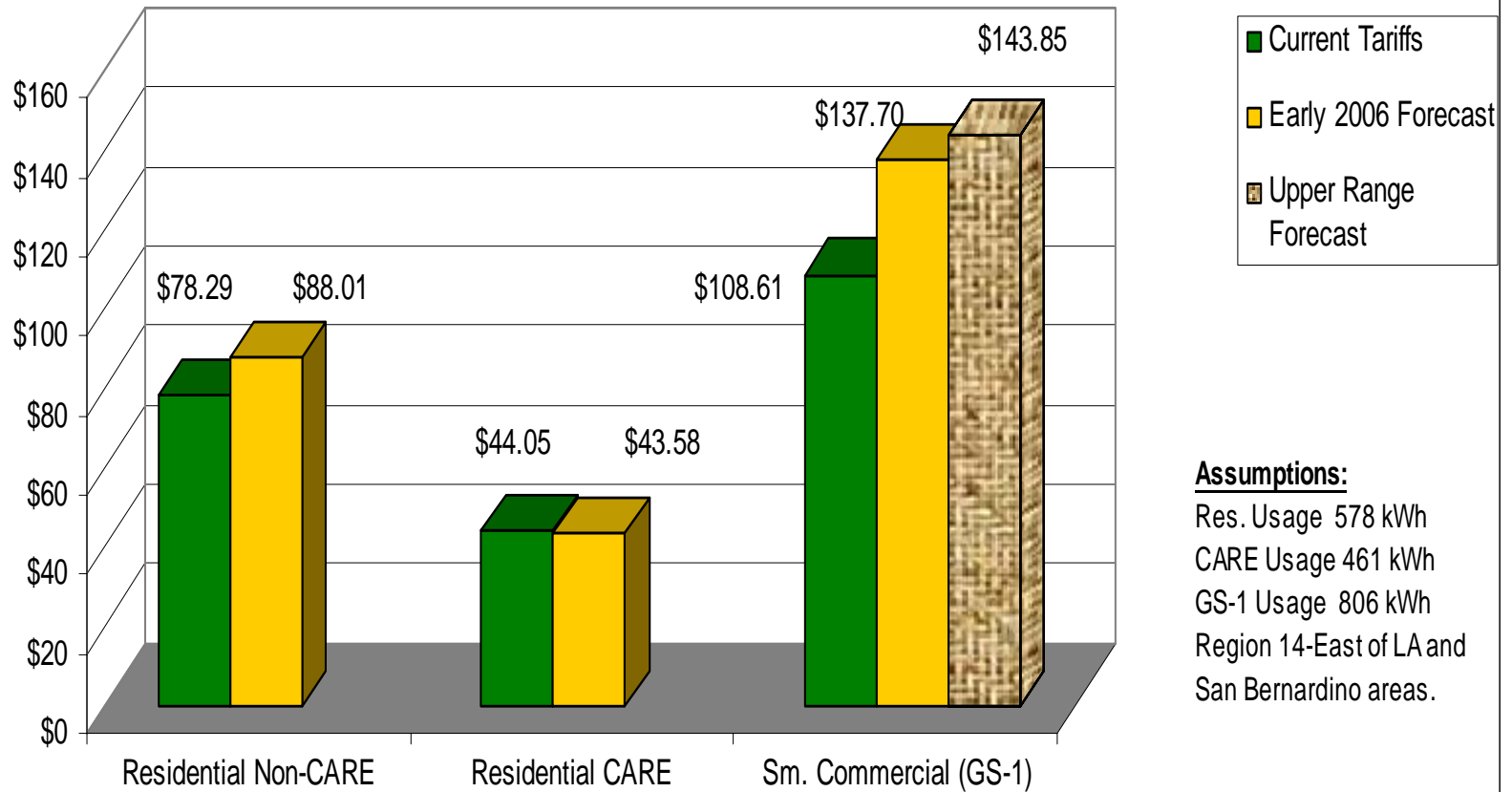
Based on 50 Therms/Month



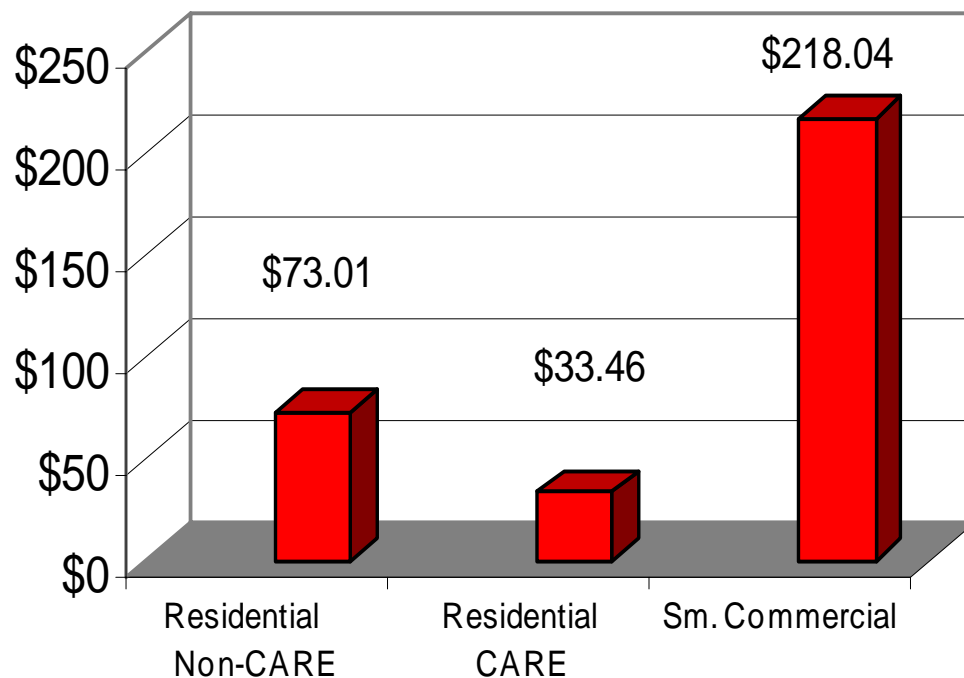
Pacific Gas & Electric **Current and Forecast Monthly Winter Electric Bills for 2006,** **North & Central Valley Average Usage**



Southern California Edison **Current and Forecast Monthly Winter Electric Bills for 2006** **Inland LA-San Bernardino Areas**



San Diego Gas & Electric Current Monthly Winter Electric Bills Inland Average Usage



Assumptions:

Res. Usage 523 kWh/mo.

CARE Usage 392 kWh/mo.

Sm. Commercial 1403 kWh/mo.

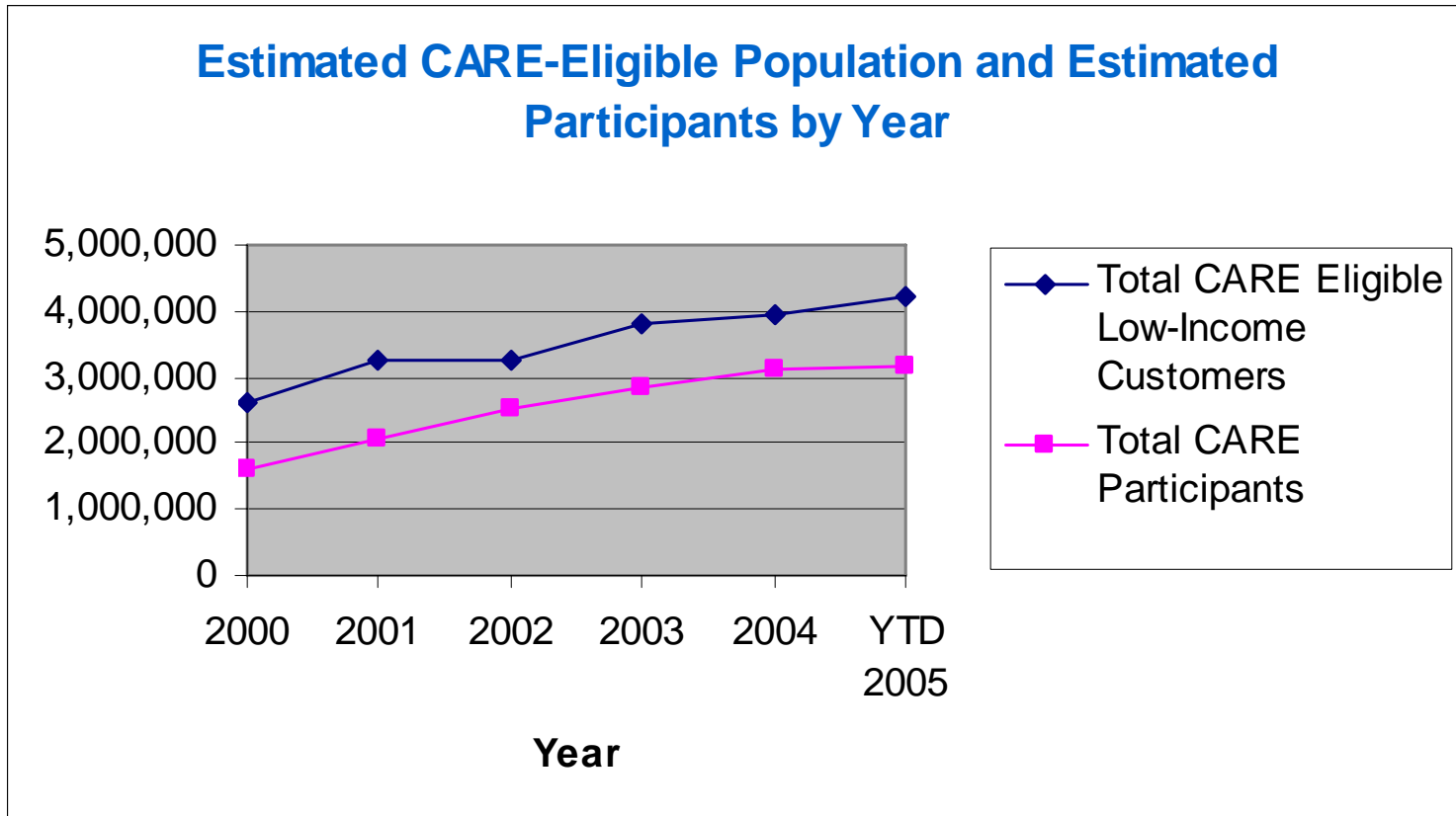
Secondary Service

Inland Climate Area

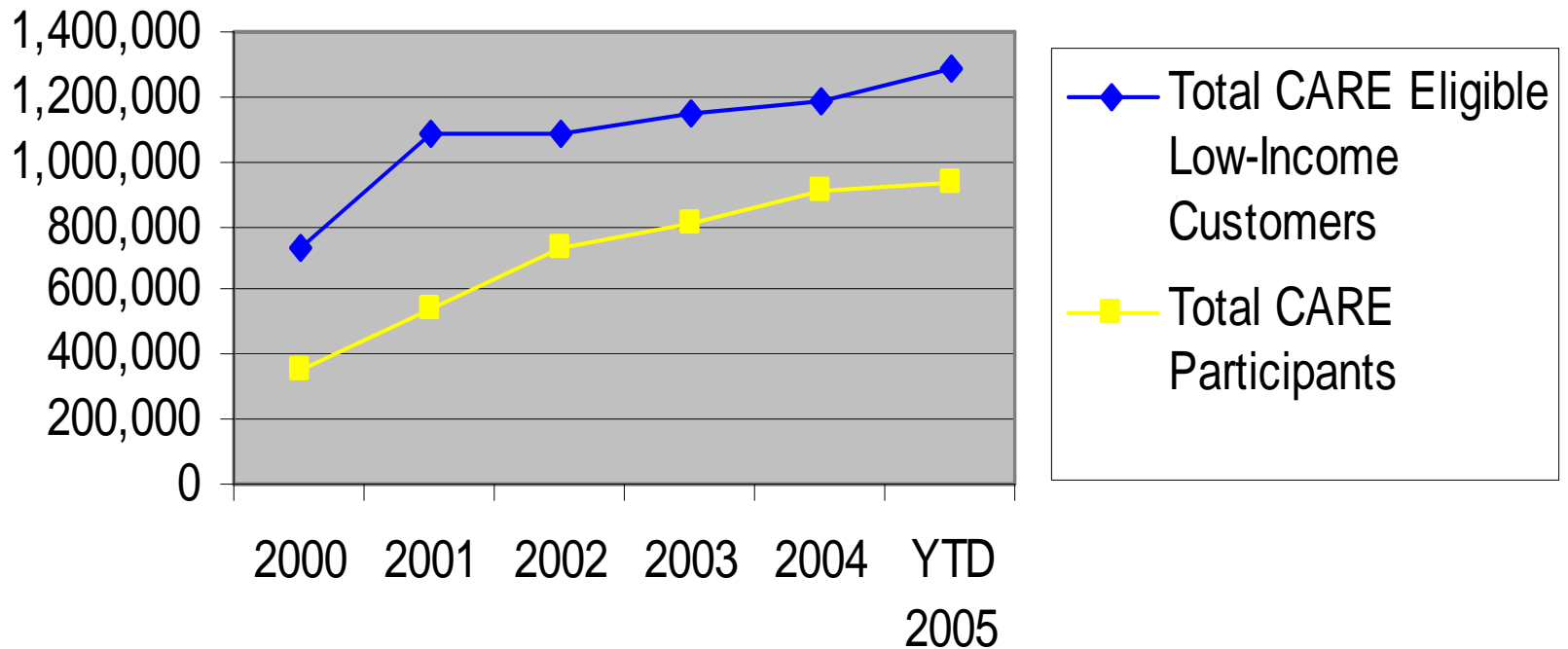
CPUC Mandated Low Income Programs

- **California Alternate Rates for Energy or CARE**
 - Provides a 20% discount on electric and natural gas bills.
- **Low-Income Energy Efficiency or LIEE**
 - Provides qualified low-income households with energy efficient appliances and weatherization measures at no cost to the participants.
- **Programs Are Implemented by the Utilities With Commission Oversight**

The Number of CARE-Eligible Customers Is Growing

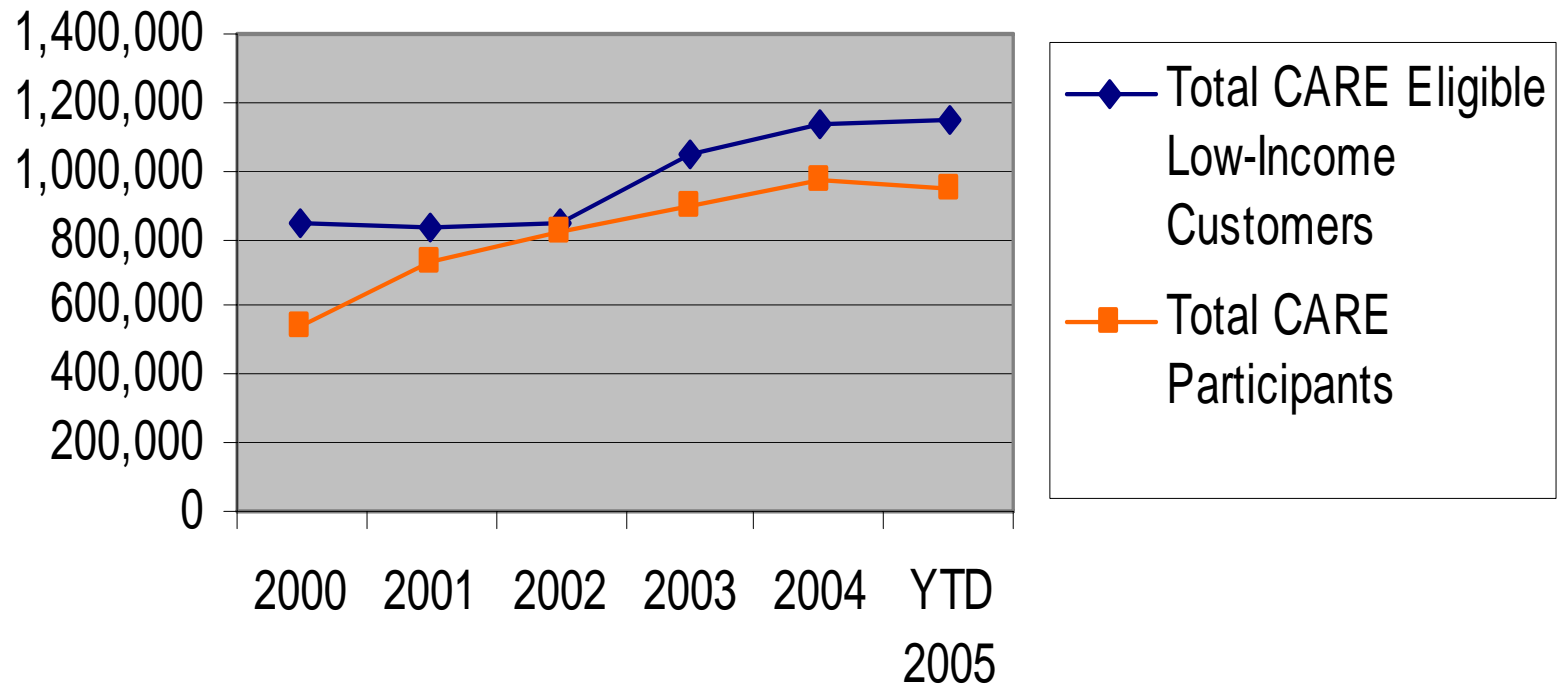


Pacific Gas and Electric Company Estimated CARE-Eligible Population and Enrollment by Year



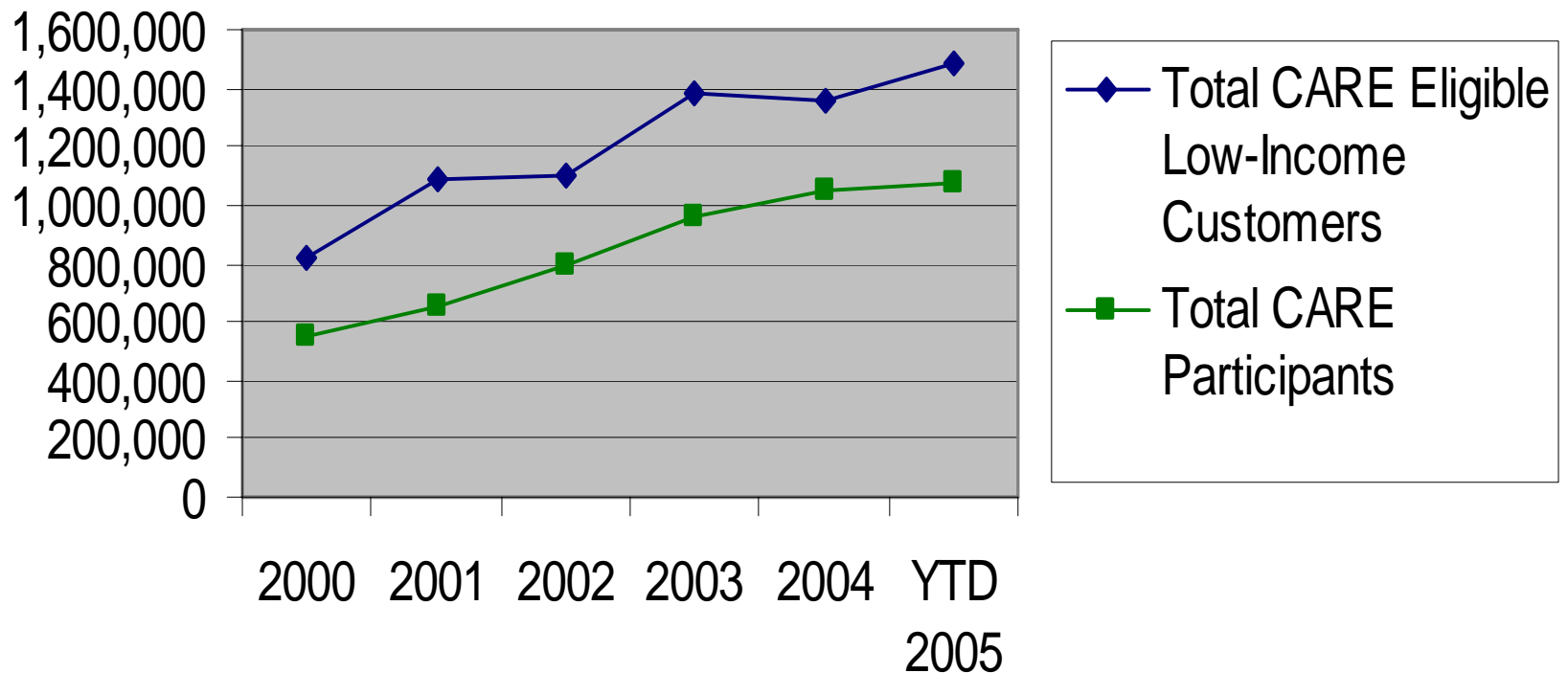
Southern California Edison Company

Estimated CARE-Eligible Population and Enrollment by Year



Southern California Gas Company

Estimated CARE-Eligible Population and Enrollment by Year



San Diego Gas & Electric Company

Estimated CARE-Eligible Population and Enrollment by Year

